Callidus Capital Corporation - Q1 2015 Results

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Disclaimers

Forward-Looking Information

This document contains “forward-looking information” within the meaning of applicable Canadian securities legislation. Such forward-looking information includes, forward-looking statements regarding Callidus and the industries in which it operates, including statements about, among other things, expectations, beliefs, plans, future loans and origination, business and acquisition strategies, opportunities, objectives, prospects, assumptions, including those related to trends and prospects and future events and performance. Sentences and phrases containing or modified by words such as “anticipate”, “plan”, “continue”, “estimate”, “intend”, “expect”, “may”, “will”, “project”, “predict”, “potential”, “targets”, “projects”, “is designed to”, “strategy”, “should”, “believe”, “contemplate” and similar expressions, and the negative of such expressions, are not historical facts and are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. Forward-looking statements should not be read as guarantees of future events, future performance or results, and will not necessarily be accurate indicators of the times at, or by which, such events, performance or results will be achieved, if achieved at all. Forward-looking statements are based on information available at the time and/or management’s expectations with respect to future events that involve a number of risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements.

Specific forward-looking statements contained in this document include, among others, statements, management’s beliefs, expectations or intentions regarding the following: Callidus’ expected growth, including organic growth in the Canadian market; through acquisitions; expansion of the ‘Callidus Lite’ loan product; through expansion into the United States; and the purchase of Loan Assets from the Catalyst Funds; the targeted Gross Yields of the Callidus and ‘Callidus Lite’ loans; funding pursuant to the Participation Agreement and the relationships between Callidus, CCGI and the Catalyst Funds.

In making the forward-looking statements, the Corporation has made assumptions regarding: general economic conditions, reliance on debt financing, funding pursuant to the Participation Agreement, interest rates, continued lack of ABL regulation, continued operation of key systems, debt service, the expectation that the number of industry competitors in Callidus’ marketplace will continue to decline, bank lending to mid-market companies will continue to be constrained for at least several years, future capital needs, retention of key employees, adequate management of conflicts of interests, continued performance of the Loan Portfolio and solvency of borrowers, limited loan prepayment, effective use of leverage, and such other risks or factors described in the final prospectus and from time to time in public disclosure documents of Callidus that are filed with securities regulatory authorities.

Forward-looking statements involve significant risks and uncertainties, should not be read as guarantees of future events, performance or results, and will not necessarily be accurate indicators of whether such events, performance or results will be achieved. Forward-looking statements are based on information available at the time and/or management’s expectations with respect to future events that involve a number of risks and uncertainties. Any forward-looking information concerning prospective results of operations, financial position, expectations of cash flows and future cash flows is based upon assumptions about future results, economic conditions and courses of action and is presented for the purpose of providing prospective purchasers with a more complete perspective on Callidus’ present and planned future operations. Such information may not be appropriate for other purposes and actual results may differ materially from those anticipated in such forward-looking statements.

To the extent any forward-looking information in this MD&A constitutes future-oriented financial information or financial outlooks within the meaning of Canadian securities laws, such information has been prepared by the Corporation to provide a reasonable estimate of the potential earnings of the current loan portfolio, subject to (among other things) the assumptions and risks discussed in this MD&A, and readers are cautioned that this information should not be relied upon for any other purpose. Future-oriented financial information and financial outlooks are, without limitation, based on the assumptions and subject to the risks set out herein.

The Corporation discloses a number of financial measures in this document that are calculated and presented using methodologies other than in accordance with IFRS. The Corporation utilizes these measures in managing the business, including performance measurement and valuation purposes, and believes that providing these performance measures on a supplemental basis to its IFRS results is helpful to investors in assessing the overall performance of the business of the Corporation. These financial measures should not be considered as a substitute for similar financial measures calculated in accordance with IFRS. The Corporation cautions readers that these non-IFRS financial measures may differ materially from the calculations disclosed by other businesses, and as a result, may not be comparable to similar measures presented by others. Reconciliations of these non-IFRS financial measures to the most directly comparable financial measures calculated and presented in accordance with IFRS are included within the company’s most recent MD&A. See also the sections entitled “Non-IFRS Measures” and “Outlook” in such MD&A.

Q1 2015 Highlights

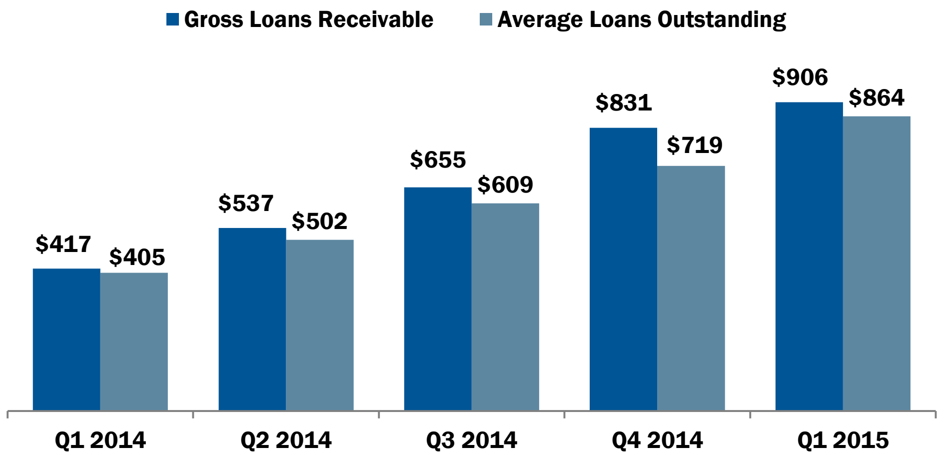
(Expressed in thousands of Canadian dollars, except per share information)	31-Mar-15	31-Dec-14	31-Mar-14	Q/Q Change	Y/Y Change
Gross loans receivable	**$905,582**	$830,505	$417,280	9%	117%
Average loan portfolio outstanding[1]	**864,324**	718,562	405,251	20%	113%
Total revenue (after derecognition)	**35,091**	29,194	20,696	20%	70%
Gross yield[1]	**17.9%**	18.6%	20.4%		
Adjusted net interest income[1]	**27,125**	24,816	19,155	9%	42%
Adjusted net interest margin[1]	**12.7%**	13.8%	n/a[2]		
Net income (loss)	**15,989**	21,019	(152)	(24%)[3]	n/a
Earnings per share (diluted)	**$0.31**	$0.42	($0.01)	(26%)[3]	n/a
Return on equity	**13.6%**	**19.5%**	**n/a[2]**	(5.9%)[3][4]	

1. Refer to "Description of Non-IFRS Measures" in the MD&A. These financial measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS. Therefore, they may not be comparable to similar measures used by other issuers.
2. Comparatives for 2014 have not been presented as the Company operated under a capital structure that was replaced at the Company's initial public offering.
3. Primarily attributable to the positive net impact to Q4 2014 EPS, ROE and Net Income of the clarification of the Catalyst guarantee and the adoption of a collective allowance.
4. Expressed as a difference in percentage points.

Strong Loan Growth

- Strong growth in portfolio while maintaining solid credit quality
- Signed-back term sheets of $208 million, up $9 million from what was reported in Q4 2014
- Strong typical loan pipeline of $450 - $600 million, though it has recently increased dramatically to $1.1 billion
- Estimated gross loans receivable of $961 million following closings that management believes are imminent

Loan Assets



	Loan Pipeline	Signed-Back Term Sheets
Current[1]	$1,100	$208
Q4 2014	$450 - $600	$199
Q3 2014	$500 - $600	$172
Q2 2014	$500	$175
Q1 2014	$420	$250

All figures in C$ millions unless otherwise noted.
1. As at May 11, 2015

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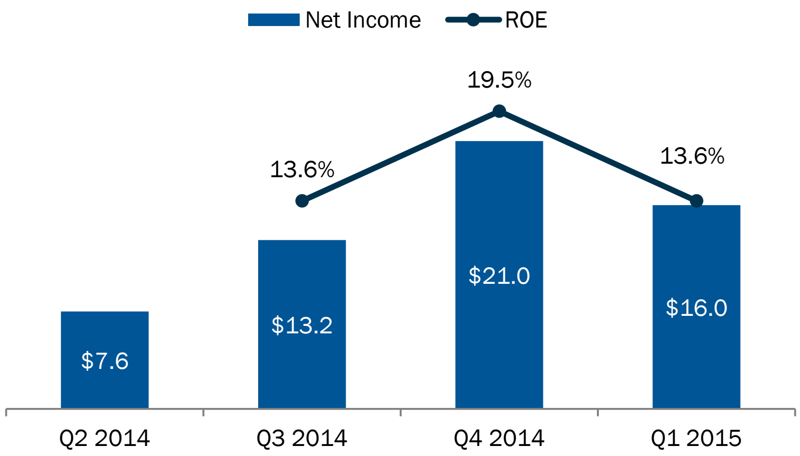
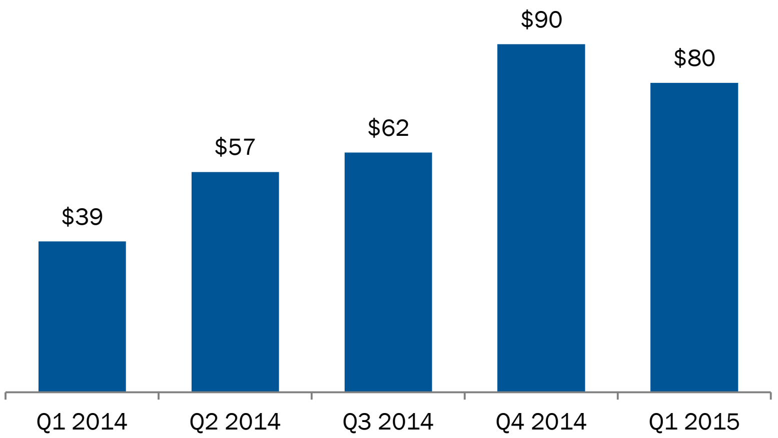
Strong Financial Performance

- ROE was 13.6% for the first quarter of 2015 compared with 19.5% in the fourth quarter of 2014. The decrease was primarily attributable to the positive net impact to ROE in Q4 2014 from the clarification of the Catalyst guarantee and the adoption of a collective allowance
  - Run rate ROE of 17% - 19% based on targeted leverage of between 50% and 60%, compared to current leverage of 43% as of May 11, 2015
- Net income in Q1 2015 was $16.0 million, down from $21 million in Q4 2014 and up significantly from a loss in the same period last year. The decrease was primarily attributable to the positive net impact to Q4 2014 net income of the clarification of the Catalyst guarantee and the adoption of the collective allowance noted previously
- Net income in Q1 2015 was affected by: (i) the difference between the statutory tax rate of 26.5% and our effective tax rate of 30% and (ii) a temporary one-time revenue adjustment of US$1 million resulting from a State statutory issue that we anticipate will reverse in the future

Reported Net Income (C$mm) and ROE



Run Rate Net Income (C$mm)[1]



1. Run Rate Net Income is a non-IFRS measure, see “Outlook” section in quarterly MD&A for assumptions.

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Loan Portfolio as at March 31, 2015

	Three Months Ended March 31			
Gross Loans Receivable Continuity	**2015** (Number of Loans)	2014	**2015** ($millions)	2014
Balance, beginning of period	32	19	$ 830,505	$ 381,302
Originations	3	2	43,855	25,883
Full repayments	–	(1)	–	(5,596)
Net funding	–	–	31,222	15,691
Balance, end of period	**35**	**20**	**$ 905,582**	**$ 417,280**

- Loan facility size ranged from $2 million to US $95 million
- Loan portfolio distribution is 64% in Canada and 36% in the US by dollar amount funded
- 3 companies in the oil & gas sector (all service providers), representing 11% of the portfolio

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Diversified Funding Strategy

- Callidus currently has immediate capital resources of $176 million
- Net debt of $391 million, or 43% of gross loans receivable
  - Targeted leverage of 40% to 50% of loan portfolio, with the ability to increase leverage if required
- In April 2015, the company increased its revolving credit facility by US$37.5 million to US$300 million in aggregate
- Liquidity of $176 million consisting of $54 million of cash and cash equivalents and $122 million in available undrawn credit facilities. In addition, there is also up to $156 million now available to acquire loan participation interest as a result of Catalyst Fund V's first closing (March 27, 2015)
- Fund V availability would increase to approximately $360 million, assuming Fund V achieves its "hard cap" of US$1.5 billion, of which $300 million could be used to acquire further loan participation interest

All figures in C$ millions unless otherwise noted.
As at May 11, 2015

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Guarantee Coverage

At March 31, 2015	$000s	%
Guarantee Coverage of Gross Loans Receivable		
Portion of gross loans receivable covered by a guarantee:		
Watch-List loans	$ 197,346	22%
Non-Watch-List loans	200,136	22%
Portion of gross loans receivable not covered by a guarantee:		
Watch-List loans	33,735	4%
Non-Watch-List loans	474,365	52%
Total gross loans receivable	**$ 905,582**	**100%**
Guarantee Coverage of Provision for Loan Losses		
Provision for loan losses covered by a guarantee:		
Watch-List loans	$ 22,011	77%
Non-Watch-List loans	–	0%
Provision for loan losses not covered by a guarantee:		
Watch-List loans	351	1%
Non-Watch-List loans	6,362	22%
Total provision for loan losses	**$ 28,724**	**100%**

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